

CITY OF REEDLEY
REEDLEY, CALIFORNIA
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

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INDEPENDENT AUDITOR'S REPORT

December 31, 2013

To the Honorable Mayor and City Council
City of Reedley, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of City of Reedley, State of California, as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable in financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Reedley, State of California, as of June 30, 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages four through twelve and the budgetary comparison information on pages 49 through 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedley's basic financial statements. The combining and individual nonmajor fund financial statements on pages 47 and 48 and the schedule of expenditures of federal financial assistance on page 59, as required by *Office of Management and Budget Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplementary information referred to in the preceding paragraph is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information referred to in the preceding paragraph is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Reedley financial statements. The schedule of expenditures of federal financial assistance on page 59, as required by *Office of Management and Budget Circular A-133; Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2013 on our consideration of City of Reedley's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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Certified Public Accountants



City of Reedley

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CITY OF REEDLEY MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

As management of the City of Reedley, we offer readers of the City of Reedley's financial statements this narrative overview and analysis of the financial activities of the City of Reedley for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with information that is included within the financial statements.

Financial Highlights

- The assets of the City of Reedley exceeded its liabilities as of June 30, 2013 by \$49,279,856. Of this amount, unrestricted net position of \$17,372,422 may be used to meet the City's ongoing obligations to citizens and creditors. As of June 30, 2012, the assets of the City exceeded its liabilities by \$50,197,991, with unrestricted net position totaling \$17,756,270.
- Total net position decreased by \$918,135 during the year ended June 30, 2013. Net position associated with governmental activities increased by \$76,516 while net position associated with business-type activities decreased by \$994,651. For the year ended June 30, 2012, total net position increased by \$4,452,186, with net position associated with governmental activities increasing by \$207,690 and net position associated with business-type activities increasing by \$4,244,496.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,990,298 a decrease of \$249,778 compared with the prior year. Of this amount, \$5,764,323 is available for spending and \$4,225,975 is restricted or otherwise designated for specific future uses. For the year ended June 30, 2012, the City's governmental funds had combined ending fund balances of \$10,240,076, with \$5,023,298 being available for spending and \$5,216,778 restricted for specific future uses. The combined ending fund balances as of June 30, 2012 represented an increase of \$160,807 over the June 30, 2010 combined ending fund balances.
- At the end of the current fiscal year, the fund balance for the general fund was \$2,452,509 or 35 percent of general fund expenditures for the year ended June 30, 2013. The general fund fund balance increased by \$150,618 for the year ended June 30, 2013. At the end of the prior fiscal year, the fund balance of the general fund was \$2,301,891, or 34 percent of that year's general fund expenditures. The general fund fund balance increased by \$241,231 during the prior year.
- The City's total debt obligations (including post retirement benefits) decreased by \$1,437,806. This was mostly attributable to decreases in proprietary funds long-term obligations of \$1,794,545. During the prior year, total debt obligations decreased by \$1,576,183.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Reedley's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expense are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, parks and recreation, community development and other charges. The major business-type activities of the City include water, sewer and solid waste disposal systems, as well as airport activities.

The government-wide financial statements include not only the City of Reedley itself (known as the primary government), but also the legally separate Reedley Redevelopment Agency, a component unit of the City. However, in accordance with State of California law, the Reedley Redevelopment Agency was closed during the year and its assets and liabilities were transferred to a successor agency.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balance provide reconciliations to facilitate this comparison between the two.

The City maintains 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and changes in fund balance for the general fund which is considered a major fund and four special revenue funds which are presented separately for the purpose of consistency. Data from the other nine special revenue funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual budget for its general fund and all special revenue funds. Budgetary comparison statements have been provided for the general fund and the four major special revenue funds to demonstrate compliance with the 2012/2013 budget.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains four individual enterprise funds. Information is presented separately in the proprietary statement of net position and the proprietary statement of revenue, expense and changes in fund net position for all four enterprise funds.

An internal service fund is used to accumulate and allocate costs internally among the City's various functions. The City uses one internal service fund to account for its fleet maintenance activities. Because this service predominantly benefits governmental rather than business-type functions, it has been included principally within governmental activities in the government-wide financial statements, but is presented separately in the proprietary funds financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain other supplementary information. The combining statements referred to earlier in connection with the nonmajor funds are presented immediately after the basic financial statements. Also included are budgetary comparisons for the major governmental funds. Finally, reports related to the City's federal financial assistance programs are presented.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2013, the City's assets exceeded liabilities by \$49,279,856. By far, the largest portion of the City's net position (65 percent) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. Capital assets are used to provide services to citizens and they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following schedules represent a summary of the City's net position and activities for the year ended June 30, 2013, with a comparison to the total net position and activities for the year ended June 30, 2012:

City of Reedley's Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Current and other assets	\$ 12,212,890	\$ 7,703,600	\$ 17,934,733	\$ 19,577,583
Capital assets and deferred charges	<u>20,780,262</u>	<u>56,035,561</u>	<u>76,815,823</u>	<u>77,528,914</u>
Total assets	<u>32,993,152</u>	<u>63,739,161</u>	<u>94,750,556</u>	<u>97,106,497</u>
Long-term liabilities	385,958	42,646,867	43,032,825	44,910,676
Other liabilities	<u>2,195,194</u>	<u>2,224,438</u>	<u>2,437,875</u>	<u>1,997,830</u>
Total liabilities	<u>2,581,152</u>	<u>44,871,305</u>	<u>45,470,700</u>	<u>46,908,506</u>
Invested in capital assets, net of related debt	20,572,234	11,324,596	31,896,830	32,433,460
Restricted		10,604	10,604	8,261
Unrestricted	<u>9,839,766</u>	<u>7,532,656</u>	<u>17,372,422</u>	<u>17,756,270</u>
Total net position	<u>\$ 30,412,000</u>	<u>\$ 18,867,856</u>	<u>\$ 49,279,856</u>	<u>\$ 50,197,991</u>

City of Reedley's Changes in Net Position

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Current Year Total</u>	<u>Prior Year Total</u>
Program revenue				
Charges for services	\$ 1,692,585	\$ 11,170,094	\$ 12,862,679	\$ 11,788,616
Operating grants and contributions	5,731,463	107,747	5,839,210	5,335,312
Capital grants and contributions	1,377,222	598,231	1,975,453	3,134,689
General revenue, including transfers	<u>3,086,996</u>	<u>74,830</u>	<u>3,161,826</u>	<u>3,197,969</u>
Total revenue	<u>11,888,266</u>	<u>11,950,902</u>	<u>23,839,168</u>	<u>23,456,586</u>
Expense				
Public safety	6,734,066		6,734,066	5,865,452
Public works	2,481,264		2,481,264	1,976,303
Community services	1,360,619		1,360,619	1,209,537
Administration and finance	647,536		647,536	617,506
Community development	588,265		588,265	342,986
Sewer		6,258,628	6,258,628	3,342,140
Water		3,445,244	3,445,244	2,613,019
Disposal		2,932,362	2,932,362	2,767,977
Airport		<u>309,319</u>	<u>309,319</u>	<u>269,480</u>
Total expense	<u>11,811,750</u>	<u>12,945,553</u>	<u>24,757,303</u>	<u>19,004,400</u>
Increase in net position	76,516	(994,651)	(918,135)	4,452,186
Net position, beginning of year	<u>30,335,484</u>	<u>19,862,507</u>	<u>50,197,991</u>	<u>45,745,805</u>
Net position, end of year	<u>\$ 30,412,000</u>	<u>\$ 18,867,856</u>	<u>\$ 49,279,856</u>	<u>\$ 50,197,991</u>

Governmental activities. Governmental activities increased the City's net position by \$76,516 accounting for one-quarter percent of the total growth in net position. Key elements of this increase are as follows:

- Charges for services decreased by \$207,569 during the year. This decrease was due primarily to a decrease in public works and community services revenue.
- Operating grants and contributions increased by \$485,155.
- Capital grants and contributions decreased by \$35,534.
- General revenue, including transfers in/(out), increased by \$1,426,740.
- Expense increased by \$1,799,966.

Business-type activities. Business-type activities decreased the City's net position by \$994,651, accounting for a 108 percent decrease in the City's net position. This was due primarily to an increase in charges for services of \$1,281,632 and a decrease in capital grants and contributions of \$1,123,702. Operating grants and contributions increased by \$18,743. Business-type expenses increased by \$3,952,937 while general revenue, including transfers in/(out) decreased by \$1,462,883. The airport, water and disposal activities all generated net profits in operating income (operating revenue less operating expense) while only the sewer activity had an operating loss in the current year.

Financial Analysis of the City's Funds

As noted earlier, the City of Reedley uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental funds. The purpose of the City's governmental fund financial statements is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$9,990,298, a decrease of \$249,778 in comparison to the prior year. Of this amount, \$5,764,323 (58 percent) was unassigned, which is available for spending at the City's discretion. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been committed to liquidate contracts and purchase orders of the prior period (\$1,038,151) or assets that will not be converted to cash within the next twelve months (\$1,879,101).

The general fund is the City's chief operating fund. At the end of the current fiscal year, the spendable portion of the fund balance of the general fund was \$561,376 while the total fund balance was \$2,452,509. As a measure of the general fund's liquidity, it may be useful to compare both the spendable portion of the fund balance and total fund balance to total fund expenditures. Spendable portion of the fund balance represents eight percent of total general fund expenditures, while total fund balance represents 35 percent of the same amount.

The fund balance of the City's general fund decreased by \$238,087 during the year ended June 30, 2013. Expenditures increased by one percent and revenue increased by one-half of one percent resulting in an excess of expenditures over revenue of \$238,087. There was \$398,882 transferred from other funds to the general fund and \$10,177 transferred from the general fund to another fund.

Special revenue funds have a combined fund balance of \$7,537,789. Of that amount, \$1,031,119 is assigned to liquidate contracts and purchase orders and \$1,303,723 is restricted by external entities for various activities.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the proprietary funds were \$7,532,656 as of June 30, 2013. The total decrease in the net position of the proprietary funds was \$994,651 for the year. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final general fund budgeted expenditures were greater than the original budgeted expenditures by \$206,577. Actual expenditures were \$397,141 less than final budgeted expenditures. Final anticipated revenue was \$67,107 greater than original anticipated revenue. Actual total revenue was \$205,310 greater than the final anticipated revenue.

Capital Asset and Debt Administration

Capital assets. The City's total capital assets for its governmental and business-type activities as of June 30, 2013 amounted to \$75,832,088 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, service lines, automobiles, equipment and street lights. In addition, all sidewalks, bridges and roads within the city limits belong to the City.

Major capital asset events during the year ended June 30, 2013 included the following:

- Various vehicle and equipment purchases amounted to \$1,489,978.
- Various infrastructure improvements amounted to \$3,898,528.

Additional information on the City's capital assets can be found in note three.

Long-term liabilities. As of June 30, 2013, the City had \$43,385,877 in outstanding long-term debt consisting of three revenue bond issues (\$17,845,000), one loan from the State of California (\$24,205,310), one interfund long-term loan (\$353,052), one new loan from an outside obligee (\$390,000), three capital leases (\$392,810) and compensated absences (\$199,705). The revenue bonds are obligations of the water and sewer funds and principal payments on the bonds during the year reduced the amount owed by \$560,000. Two of the capital leases are obligations of proprietary funds, while the third is an obligation of the governmental funds. Principal payments on the leases during the year reduced the amounts owed by \$167,380. There was a \$1,142,444 principal reduction in the loan payable to the State of California which is also an obligation of the sewer fund. The other loan payable, which is due to the General Fund of the City experienced a \$21,169 principal reduction.

The City's total debt (including compensated absences and other long-term liabilities) decreased by \$1,437,806 during the year ended June 30, 2013, mostly attributable to the loan repayment to the State of California of \$1,142,444 for sewer plant expansion. Compensated absences payable decreased by \$23,806 during the year.

Additional information on the City's long-term liabilities can be found in notes four and five.

Economic Factors and Next Year's Budget

For the first time in a number of years, the City's budget is proposed to be very close to "structurally balanced", meaning that one-time funds are not being used for on-going expenses. This is quite an achievement in today's uncertain economic environment, and the credit for such a responsible use of funds belongs to the City Council which has provided sound and conservative leadership through the policy decisions it has made over the course of the past year. Two of the most obvious symbols of the prudent leadership are the recent credit rating upgrade of the City by Standard & Poor's, and the fact that the balance sheet for FY14 shows a surplus of over \$235,000 which is slated to be used for a contingency fund for pension increases that are expected to begin phasing in by FY 2015-2016, and medical premium increases due to the Affordable Care Act.

General Fund and Reserves

The FY 2013-14 Adopted Budget calls for General Fund expenditures of \$7,136,004, which reflects a reduction of \$57,046 or 0.79% from the 2012-13 Adopted Budget. The FY 2012-13 Adopted Budget forecasted a General Fund balance of \$0 as of June 30, 2013. Due to a multitude of factors, including a close watch on expenditures by staff and making proactive moves to lower costs and increase revenues, the actual General Fund balance was \$561,376 as of June 30, 2013. The higher carryover amount into next fiscal year eases pressure on the FY 2013-14 Budget and contributes towards a projected fund balance of \$235,542 at June 30, 2014.

For FY 2013-14, total General Fund revenue is forecasted to be \$6,865,396. This is 2.57% lower than the \$7,046,249 received in FY 2012-13, primarily due to one-time revenue received from reimbursements from Kings Canyon Unified School District for the community center improvement project (the joint City-KCUSD facility account), surplus equipment auction proceeds, and grant payments. Three revenue streams into the General Fund make up 63% of the total revenue - Sales Tax, Vehicle License Fees and Property Tax. FY 2013-14 proposed expenditures in the General Fund total \$7,096,547, which represents a 1.34% reduction (or \$96,503) from FY 2012-13 Adopted Budget appropriations.

The General Fund Reserve is projected to end the fiscal year at \$658,414. The reduction from last year is due to the \$353,052 reduction for the refinancing of the Airport loan from the former RDA as a result of a State Department of Finance determination which required immediate repayment of that loan. The Reserve fund will begin to recover gradually as the Airport fund repays the amount with interest over the next 13 years. The Reserve amount represents approximately 9.3% of General Fund expenditures, increasing to 9.8% after the first loan payment is received in June, 2014.

Enterprise Funds

Utility service rates continue to be revised annually for a Consumer Price Index factor, and implemented consistent with current rate studies and Proposition 118 requirements. The City is poised to maintain appropriate reserve ratios for bond debt coverage as called for in the bond covenants. Our efforts have been rewarded in the form of an upgraded rating on our Water Revenue Bonds from "A-" to "A" and an outlook improvement from 'stable' to 'positive' on our Wastewater Revenue Bonds. Each Enterprise division is still seeking further efficiencies and expense reductions in order to provide rate relief to Reedley constituents and continue to set aside funding for future capital improvement requirements. An example of our efforts is evaluating the additional revenue and reduced costs available to the Solid Waste Division from bringing commercial and residential recycling services in-house. The more money the City can save in operations, the lower the future rate increases will need to be. In addition to savings that can be garnered, each Enterprise Fund is susceptible to swings in utility and commodity prices, such as diesel fuel, electricity, and

natural gas. It is this susceptibility that causes staff to be cautious and aware with each enterprise fund budget as we move into 2013-2014.

Sales Tax Revenue

Sales tax has performed better than anticipated this past year despite a low start through mid-year, with general sales tax receipts expected to end the year 6.64% above last year's receipts, and Public Safety Sales Tax (PSST) receipts expected to come in 11.43% above last year's receipts. PSST is usually collected on large purchases Reedley residents make outside of city limits, such as autos or agricultural equipment; and these industries are currently performing well. The FY 2013-14 Proposed Budget assumes a 1.50% target growth rate over the FY 2012-13 year end estimates for both general sales tax and PSST. Although both revenue streams have performed well above target this year, staff did not feel confident in assuming that the current growth rate would continue at its current pace.

Property Tax Revenue

Property tax revenue is estimated to come in roughly at the FY 2012-13 Budget level of \$972,006, with the exception of the additional \$34,091 the City received as part of its share of the re-distribution of Low to Moderate Income Housing monies from the RDA Successor Agency. For FY 2013-14, the budget assumes only a 1.0% growth rate in Secured Property Tax revenue due to the slow rebound in the housing market.

Labor Costs/Memorandum of Understanding (MOU)

The City has two year Agreements with both labor units. The past two Memorandums of Understanding with both the General Services Unit (GSU) and the Reedley Police Officers' Association (RPOA) have included wage and benefit concessions. Employees at every level of the organization came together as a team and "gave back", taking home less pay and earning less benefits than in prior years. For Agreements covering the coming two fiscal years, employees will not be asked to give back any pay or benefits. The General Services Unit, comprised mostly of Enterprise-funded employees, will have a 1% COLA in FY14 and a 2% COLA in FY15, and RPOA will have the 4% wage suspension lifted in FY14 with a 2% COLA in FY15. Unrepresented groups will have the \$20/\$40/\$50 medical contribution lifted and no furloughs in FY15.

The City's Healthcare Committee, comprised of members of GSU, RPOA, Unrepresented, and Management staff, have been working throughout the year to find ways to control medical insurance costs. The Committee has researched leaving the PERS medical insurance program and migrating to the San Joaquin Valley Insurance Authority, a JPA of local cities and counties in the Valley. The benefits provided to staff will remain equivalent, with the City of Reedley picking up 100% of the cost for premium based upon an average of the two lowest cost plans available.

Successor Agency (Former Redevelopment Agency)

The past year marked the unwinding the City's Redevelopment Agency. This has been a monumental task, both in terms of the time staff has needed to spend on this issue as well as the complexity of maneuvering through the bureaucratic red tape burdens placed on cities by the State's Department of Finance and the depth of negotiation that has been needed to ensure that Reedley's taxpayers were protected from the State's overreach into the City's bank accounts. On May 24th, 2013, the City received a "Finding of Completion" by the Department of Finance which marks the point at which the State is satisfied with the City's audits and redistribution of redevelopment funds.

One of the remaining items that was not cleared in the Finding of Completion is the \$5.4 million in unspent bond proceeds that the City is not yet cleared to use. The law that dissolved the redevelopment agencies did not address the use of bond proceeds that were issued within a specific window of time prior to the law going into effect. Therefore, a handful of cities throughout California, Reedley among them, are not cleared to use bond proceeds that were issued for specific purposes. The City is hoping that a proposed Assembly Bill (AB 981) will be passed this year. That bill will allow the proceeds to be used. For now, the City continues to make its required debt service payments on the bonds.

Five-Year Capital Improvement Plan

This year's budget includes an updated five-year capital improvement plan (CIP). Before 2012, the City's CIP had not been comprehensively updated since 2006, however it is a best practice of municipal governments to revise and publish this plan annually. The CIP contained in the 2013-14 Adopted Budget includes both funded projects and unfunded needs for each Department. The CIP will continue to be refined and become more comprehensive each update. The unfunded projects identified in the CIP total approximately \$32 million. There are many variables that will continue to affect the unfunded projects, such as receipt of grant funding, re-prioritization of project timing, changes to economic condition, and finding alternative ways of meeting needs or providing services.

Requests for Information

This financial report is designed to provide a general overview of the City of Reedley's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Director of Finance & Administrative Services, City of Reedley, 845 G. Street, Reedley, California 93654.

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF REEDLEY
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business - Type Activities</u>	<u>Totals - Reporting Entity</u>
Assets			
Cash and cash equivalents	\$ 9,204,155	\$ 7,175,460	\$ 16,379,615
Accounts receivable	326,937	387,886	714,823
Deposit	5,000		5,000
Due from primary government	1,942,341	39,416	
Due from State of California	728,939		728,939
Inventory	5,518	100,838	106,356
Deferred charges (net of allowance for amortization)		983,735	983,735
Capital assets (net of allowance for depreciation)	<u>20,780,262</u>	<u>55,051,826</u>	<u>75,832,088</u>
Total assets	<u>32,993,152</u>	<u>63,739,161</u>	<u>94,750,556</u>
Liabilities			
Accounts payable and accrued expense	269,612	1,314,784	1,584,396
Accrued payroll and related costs	432,681	198,619	631,300
Due to the Successor Agency to the Reedley Redevelopment Agency	1,738		1,738
Deposits		220,441	220,441
Due to primary government	1,491,163	490,594	
Long-term liabilities			
Due within one year	59,806	1,897,575	1,957,381
Due in more than one year	<u>326,152</u>	<u>40,749,292</u>	<u>41,075,444</u>
Total liabilities	<u>2,581,152</u>	<u>44,871,305</u>	<u>45,470,700</u>
Net position			
Invested in capital assets, net of related debt	20,572,234	11,324,596	31,896,830
Restricted		10,604	10,604
Unrestricted	<u>9,839,766</u>	<u>7,532,656</u>	<u>17,372,422</u>
Total net position	<u>\$ 30,412,000</u>	<u>\$ 18,867,856</u>	<u>\$ 49,279,856</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

	Expense	Program Revenue			Net Revenue/(Expense) and Changes in Net position		Totals - Reporting Entity
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental activities							
Public safety	\$ 6,734,066	\$ 71,603	\$ 3,590,561	\$ 77,519	\$ (2,994,383)		(2,994,383)
Public works	2,481,264	1,099,419	1,104,247	1,280,045	1,002,447		1,002,447
Community services	1,360,619	182,941	568,985		(608,693)		(608,693)
Administration and finance	647,536	135,247	466,020	19,658	(26,611)		(26,611)
Community development	<u>588,265</u>	<u>203,375</u>	<u>1,650</u>		<u>(383,240)</u>		<u>(383,240)</u>
Total governmental activities	<u>11,811,750</u>	<u>1,692,585</u>	<u>5,731,463</u>	<u>1,377,222</u>	<u>(3,010,480)</u>		<u>(3,010,480)</u>
Business-type activities							
Water	3,445,244	3,073,776	91,531	507,344		227,407	227,407
Sewer	6,258,628	4,780,079	7,424			(1,471,125)	(1,471,125)
Disposal	2,932,362	3,099,799	3,382			170,819	170,819
Airport	<u>309,319</u>	<u>216,440</u>	<u>5,410</u>	<u>90,887</u>		<u>3,418</u>	<u>3,418</u>
Total business- type activities	<u>12,945,553</u>	<u>11,170,094</u>	<u>107,747</u>	<u>598,231</u>		<u>(1,069,481)</u>	<u>(1,069,481)</u>
Total primary government	<u>\$ 24,757,303</u>	<u>\$ 12,862,679</u>	<u>\$ 5,839,210</u>	<u>\$ 1,975,453</u>	<u>(3,010,480)</u>	<u>(1,069,481)</u>	<u>(4,079,961)</u>
General revenue							
Property taxes					1,158,825	10,803	1,169,628
Sales taxes					1,577,731		1,577,731
Franchise and other taxes					394,288		394,288
Insurance refunds and other					32,837		32,837
Unrestricted investment earnings					48,315	64,027	112,342
Transfers in/(out) - net					<u>(125,000)</u>		<u>(125,000)</u>
Total general revenue and transfers					<u>3,086,996</u>	<u>74,830</u>	<u>3,161,826</u>
Change in net position					76,516	(994,651)	(918,135)
Net position, beginning of year					<u>30,335,484</u>	<u>19,862,507</u>	<u>50,197,991</u>
Net position, end of year					<u>\$ 30,412,000</u>	<u>\$ 18,867,856</u>	<u>\$ 49,279,856</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	Special Revenue						Total
	General	Gas Tax	Street Projects	Public Safety Sales Tax	Developer Impact Fees	Nonmajor Funds	Governmental Funds
Assets							
Cash and cash equivalents	\$ 833,502	\$ 44,191	\$ 1,865,516	\$ 817,512	\$ 4,608,846	\$ 969,701	\$ 9,139,268
Accounts receivable	143,073		64,866	536		118,462	326,937
Due from State of California	728,939						728,939
Due from other funds	1,150,162	11,337		7,779	756,977	10,681	1,936,936
Deposit	<u>5,000</u>						<u>5,000</u>
	<u>\$ 2,860,676</u>	<u>\$ 55,528</u>	<u>\$ 1,930,382</u>	<u>\$ 825,827</u>	<u>\$ 5,365,823</u>	<u>\$ 1,098,844</u>	<u>\$ 12,137,080</u>
Liabilities and Fund Balance							
Liabilities							
Accounts payable and accrued expense	\$ 60,031	\$	\$ 141,042	\$ 533	\$ 26,679	\$ 17,227	\$ 245,512
Accrued wages and related costs	270,660	49,709		68,245	2,263	17,492	408,369
Due to the Successor Agency to the Reedley Redevelopment Agency	1,738						1,738
Due to other funds	<u>75,738</u>		<u>1,248,485</u>		<u>98,363</u>	<u>68,577</u>	<u>1,491,163</u>
Total liabilities	<u>408,167</u>	<u>49,709</u>	<u>1,389,527</u>	<u>68,778</u>	<u>127,305</u>	<u>103,296</u>	<u>2,146,782</u>
Fund balance							
Nonspendable	1,884,101						1,884,101
Restricted		5,819	540,855	757,049			1,303,723
Assigned	7,032				12,097	1,019,022	1,038,151
Unassigned/(deficit)	<u>561,376</u>				<u>5,226,421</u>	<u>(23,474)</u>	<u>5,764,323</u>
Total fund balance	<u>2,452,509</u>	<u>5,819</u>	<u>540,855</u>	<u>757,049</u>	<u>5,238,518</u>	<u>995,548</u>	<u>9,990,298</u>
	<u>\$ 2,860,676</u>	<u>\$ 55,528</u>	<u>\$ 1,930,382</u>	<u>\$ 825,827</u>	<u>\$ 5,365,823</u>	<u>\$ 1,098,844</u>	<u>\$ 12,137,080</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE
SHEET TO NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances	\$ 9,990,298
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	20,758,486
The internal service fund is used to charge the costs of automotive equipment activities to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position	49,174
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	<u>(385,958)</u>
Net position of governmental activities	<u>\$ 30,412,000</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Special Revenue						Total
	General	Gas Tax	Street Projects	Public Safety Sales Tax	Developer Impact Fees	Nonmajor Funds	Governmental Funds
Revenue							
Taxes	\$ 3,114,714	\$ 378,483	\$	\$ 995,700	\$	\$ 434,053	\$ 4,922,950
Intergovernmental	2,371,255	228,089	890,218			1,286,787	4,776,349
Charges for services	940,625				792,000	203,875	1,936,500
Licenses and permits	226,818						226,818
Interest	48,315	479	9,547	4,080	27,006	5,454	94,881
Other	<u>52,495</u>		<u>28</u>			<u>3,245</u>	<u>55,768</u>
Total revenue	<u>6,754,222</u>	<u>607,051</u>	<u>899,793</u>	<u>999,780</u>	<u>819,006</u>	<u>1,933,414</u>	<u>12,013,266</u>
Expenditures							
Public safety	4,677,519			854,012	31,730	101,712	5,664,973
Public works	510,560	672,943	1,699,534		245,520	1,078,419	4,206,976
Community services	952,089					362,610	1,314,699
Administration and finance	445,398					16,892	462,290
Community development	406,743						406,743
Debt service				<u>82,363</u>			<u>82,363</u>
Total expenditures	<u>6,992,309</u>	<u>672,943</u>	<u>1,699,534</u>	<u>936,375</u>	<u>277,250</u>	<u>1,559,633</u>	<u>12,138,044</u>
Revenue over/(under) expenditures	(238,087)	(65,892)	(799,741)	63,405	541,756	373,781	(124,778)
Other financing sources/(uses)							
Operating/residual equity transfers in/(out)-net	<u>388,705</u>					<u>(513,705)</u>	<u>(125,000)</u>
Net change in fund balance	150,618	(65,892)	(799,741)	63,405	541,756	(139,924)	(249,778)
Fund balance, beginning of year	<u>2,301,891</u>	<u>71,711</u>	<u>1,340,596</u>	<u>693,644</u>	<u>4,696,762</u>	<u>1,135,472</u>	<u>10,240,076</u>
Fund balance, end of year	<u>\$ 2,452,509</u>	<u>\$ 5,819</u>	<u>\$ 540,855</u>	<u>\$ 757,049</u>	<u>\$ 5,238,518</u>	<u>\$ 995,548</u>	<u>\$ 9,990,298</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF
REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
TO CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Net change in fund balance - total governmental funds	\$ (249,778)
Amounts reported for governmental activities in the statement of activities are different because:	
The internal service fund change in net position	(18,620)
Net decrease in compensated absences payable	23,806
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation outlay in the current period.	261,608
Repayment of long-term debt is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of long-term liabilities principal reduction during the current period.	<u>59,500</u>
Change in net position of governmental activities	<u><u>\$ 76,516</u></u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Page 1 of 2

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities - Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>	<u>Total Business- Type Funds</u>	
Assets						
Current assets						
Cash and cash equivalents	\$ 2,979,753	\$ 3,870,034	\$ 325,673	\$	\$ 7,175,460	\$ 64,887
Accounts receivable	181,337	117,830	78,998	9,721	387,886	
Due from other funds	12,187	11,367	15,571	291	39,416	5,405
Current portion of noncurrent assets	15,935	22,781			38,716	
Inventory	<u>50,610</u>	<u>50,228</u>			<u>100,838</u>	<u>5,518</u>
Total current assets	<u>3,239,822</u>	<u>4,072,240</u>	<u>420,242</u>	<u>10,012</u>	<u>7,742,316</u>	<u>75,810</u>
Noncurrent assets						
Property, plant and equipment (net of allowance for depreciation)	15,695,647	34,337,481	1,397,154	3,621,544	55,051,826	21,776
Bond issuance cost (net of allowance for amortization)	<u>672,254</u>	<u>272,765</u>			<u>945,019</u>	
Total noncurrent assets	<u>16,367,901</u>	<u>34,610,246</u>	<u>1,397,154</u>	<u>3,621,544</u>	<u>55,996,845</u>	<u>21,776</u>
Total assets	<u>19,607,723</u>	<u>38,682,486</u>	<u>1,817,396</u>	<u>3,631,556</u>	<u>63,739,161</u>	<u>97,586</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

Page 2 of 2

	Business-Type Activities – Enterprise Funds					Governmental Activities - Internal Service
	Water	Sewer	Disposal	Airport	Total Business- Type Funds	
Liabilities						
Current liabilities						
Accounts payable and accrued expense	\$ 638,960	\$ 598,409	\$ 72,862	\$ 4,553	\$ 1,314,784	\$ 24,100
Accrued wages and related costs	54,441	60,903	79,905	3,370	198,619	24,312
Deposits	215,816			4,625	220,441	
Current portion of noncurrent liabilities	394,010	1,458,900	44,665	21,911	1,919,486	
Due to other funds				137,542	137,542	
Total current liabilities	1,303,227	2,118,212	197,432	172,001	3,790,872	48,412
Noncurrent liabilities						
Capital leases payable		46,067	86,787		132,854	
Revenue bonds payable	13,510,000	3,755,000			17,265,000	
Notes payable	315,990	23,035,448			23,351,438	
Advances from other funds				331,141	331,141	
Total liabilities	15,129,217	28,954,727	284,219	503,142	44,871,305	48,412
Net Position						
Invested in capital assets, net of related debt	942,319	5,495,031	1,265,702	3,621,544	11,324,596	21,776
Restricted				10,604	10,604	
Unrestricted/(deficit)	3,536,187	4,232,728	267,475	(503,734)	7,532,656	27,398
Total net position	\$ 4,478,506	\$ 9,727,759	\$ 1,533,177	\$ 3,128,414	\$ 18,867,856	\$ 49,174

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Page 1 of 2

	<u>Business-Type Activities – Enterprise Funds</u>				<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>	<u>Activities -</u>
					<u>Internal</u>
					<u>Service</u>
Operating revenue					
Charges for services					
User fees	\$ 3,073,776	\$ 4,780,079	\$ 3,099,799	\$ 116,977	\$ 1,007,057
Rents				99,463	99,463
Miscellaneous	<u>90,901</u>	<u>6,542</u>	<u>1,233</u>	<u>5,410</u>	<u>2,842</u>
Total operating revenue	<u>3,164,677</u>	<u>4,786,621</u>	<u>3,101,032</u>	<u>221,850</u>	<u>1,009,899</u>
Operating expense					
Contractual services, supplies and utilities	940,975	1,014,094	1,336,894	150,175	447,282
Personnel	876,175	855,530	1,017,121	33,933	314,724
Depreciation and amortization	833,992	3,389,419	208,891	107,074	17,496
Repairs	<u>128,007</u>	<u>149,314</u>	<u>362,493</u>	<u>3,093</u>	<u>250,017</u>
Total operating expense	<u>2,779,149</u>	<u>5,408,357</u>	<u>2,925,399</u>	<u>294,275</u>	<u>1,029,519</u>
Operating income/(loss)	<u>385,528</u>	<u>(621,736)</u>	<u>175,633</u>	<u>(72,425)</u>	<u>(19,620)</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF REVENUE, EXPENSE AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Page 2 of 2

	<u>Business-Type Activities – Enterprise Funds</u>					Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>	<u>Total Business- Type Funds</u>	<u>Activities - Internal Service</u>
Operating income/(loss)	<u>\$ 385,528</u>	<u>\$ (621,736)</u>	<u>\$ 175,633</u>	<u>\$ (72,425)</u>	<u>\$ (133,000)</u>	<u>\$ (19,620)</u>
Nonoperating revenue/(expense)						
Intergovernmental	507,344			90,887	598,231	
Interest income	48,534	9,273	6,220		64,027	
Property taxes				10,803	10,803	
Other	630	882	2,149		3,661	1,000
Interest expense	<u>(666,095)</u>	<u>(850,271)</u>	<u>(6,963)</u>	<u>(15,044)</u>	<u>(1,538,373)</u>	
Total nonoperating revenue/(expense)	<u>(109,587)</u>	<u>(840,116)</u>	<u>1,406</u>	<u>86,646</u>	<u>(861,651)</u>	<u>1,000</u>
Net revenue over/(under) expense	275,941	(1,461,852)	177,039	14,221	(994,651)	(18,620)
Net position, beginning of year	<u>4,202,565</u>	<u>11,189,611</u>	<u>1,356,138</u>	<u>3,114,193</u>	<u>19,862,507</u>	<u>67,794</u>
Net position, end of year	<u>\$ 4,478,506</u>	<u>\$ 9,727,759</u>	<u>\$ 1,533,177</u>	<u>\$ 3,128,414</u>	<u>\$ 18,867,856</u>	<u>\$ 49,174</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Page 1 of 3

	<u>Business-Type Activities – Enterprise Funds</u>					Governmental
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>	<u>Total Business- Type Funds</u>	<u>Activities - Internal Service</u>
Cash flow from operating activities						
Receipts from customers and users	\$ 3,039,024	\$ 4,740,434	\$ 3,088,057	\$ 277,594	\$ 11,145,109	\$ 1,007,057
Other operating revenue received	90,901	6,542	1,233	5,410	104,086	2,842
Payments for contractual services, supplies, utilities and repairs	(878,793)	(1,173,473)	(1,696,931)	(153,792)	(3,902,989)	(707,692)
Payments to employees	(861,838)	(839,447)	(990,269)	(31,332)	(2,722,886)	(310,642)
Other miscellaneous payments						
Net cash provided by/ (used for) operating activities	<u>1,389,294</u>	<u>2,734,056</u>	<u>402,090</u>	<u>97,880</u>	<u>4,623,320</u>	<u>(8,435)</u>
Cash flow from noncapital financing activities						
Payments from other governments	507,344			101,690	609,034	
Other income	630	882	2,149		3,661	
Payments from/(to) other funds	<u>(12,187)</u>	<u>(11,367)</u>	<u>(15,571)</u>	<u>(95,863)</u>	<u>(134,988)</u>	<u>(5,405)</u>
Net cash provided by/(used for) noncapital financing activities	<u>495,787</u>	<u>(10,485)</u>	<u>(13,422)</u>	<u>5,827</u>	<u>477,707</u>	<u>(5,405)</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Page 2 of 3

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental</u>
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>	<u>Total Business- Type Funds</u>	<u>Activities - Internal Service</u>
Cash flow from capital and related financing activities						
Purchase of property, plant and equipment	\$ (2,490,784)	\$	\$ (1,023,896)	\$ (67,493)	\$ (3,582,173)	\$
Proceeds from sale of assets						1,000
Loan proceeds to purchase property, plant and equipment	390,000				390,000	
Principal paid on long-term debt	(305,000)	(1,425,210)	(80,113)	(21,170)	(1,831,493)	
Interest paid on long-term debt	(672,295)	(877,309)	(7,072)	(15,044)	(1,571,720)	
Net cash provided by/(used for) capital and related financing activities	<u>(3,078,079)</u>	<u>(2,302,519)</u>	<u>(1,111,081)</u>	<u>(103,707)</u>	<u>(6,595,386)</u>	<u>1,000</u>
Cash flow from investing activities						
Interest received	<u>48,534</u>	<u>9,273</u>	<u>6,220</u>		<u>64,027</u>	
Net increase/(decrease) in cash	(1,144,464)	430,325	(716,193)		(1,430,332)	(12,840)
Cash, beginning of year	<u>4,124,217</u>	<u>3,439,709</u>	<u>1,041,866</u>		<u>8,605,792</u>	<u>77,727</u>
Cash, end of year	<u>\$ 2,979,753</u>	<u>\$ 3,870,034</u>	<u>\$ 325,673</u>	<u>\$</u>	<u>\$ 7,175,460</u>	<u>\$ 64,887</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

Page 3 of 3

	<u>Business-Type Activities – Enterprise Funds</u>					<u>Governmental Activities - Internal Service</u>
	<u>Water</u>	<u>Sewer</u>	<u>Disposal</u>	<u>Airport</u>	<u>Total Business- Type Funds</u>	
Reconciliation of operating income to net cash provided by/(used for) operating activities:						
Operating income/(loss)	\$ 385,528	\$ (621,736)	\$ 175,633	\$ (72,425)	\$ (133,000)	\$ (19,620)
Adjustment to reconcile operating income/ (loss) to net cash provided by/(used for) operating activities:						
Depreciation and amortization expense	833,992	3,389,419	208,891	107,074	4,539,376	17,496
(Increase)/decrease in accounts receivable	(44,499)	(39,645)	(11,742)	63,594	(32,292)	
(Increase)/decrease in inventory	(12,125)	(7,044)			(19,169)	(1,254)
Increase/(decrease) in accounts payable and accrued expense	202,314	(3,021)	2,456	(524)	201,225	(9,139)
Increase/(decrease) in accrued wages and related costs	14,337	16,083	26,852	2,601	59,873	4,082
Increase/(decrease) in deposits	<u>9,747</u>			<u>(2,440)</u>	<u>7,307</u>	
Net cash provided by/(used for) operating activities	<u>\$ 1,389,294</u>	<u>\$ 2,734,056</u>	<u>\$ 402,090</u>	<u>\$ 97,880</u>	<u>\$ 4,623,320</u>	<u>\$ (8,435)</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	<u>Agency Funds</u>		<u>Total</u>
	<u>Improvement</u>	<u>Deposits</u>	<u>Fiduciary</u>
	<u>District</u>		<u>Funds</u>
Assets			
Cash and cash equivalents	\$ 238	\$ 291,525	\$ 291,763
Total assets	<u>238</u>	<u>291,525</u>	<u>291,763</u>
Liabilities			
Accounts payable		2,038	2,038
Trust liabilities	<u>238</u>	<u>289,487</u>	<u>289,725</u>
Total liabilities	<u>238</u>	<u>291,525</u>	<u>291,763</u>
Net position	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Reedley, State of California (the “City”), was incorporated on February 18, 1913. The City operates under a Council-Manager form of government. The City’s major operations include public safety (police and fire); highways and streets; water, sewer and refuse collection; parks and recreation; building inspection; airport; public improvements; planning and zoning and general administrative services.

The City’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through December 6, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds and has chosen to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

Now, financial statements include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the City’s overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all the City’s activities, including infrastructure (roads, bridges, etc.).

A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The City implemented the general provisions of the Statement for the year ended June 30, 2003.

A. Reporting Entity

These financial statements present the City (the primary government) and its component unit, the Reedley Public Financing Authority. As defined by GASB Statement No.14, component units are legally separate entities that are included in the City’s reporting entity because of the significance of their operating or financial relationships with the City.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

The Reedley Public Financing Authority (the “Authority”) was created by a Joint Exercise of Powers between the City and the Agency on November 23, 1993. An Agreement was entered into pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985, Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code (the “JPA Law”). The Authority, which is governed by a commission consisting of the members of the City Council, was created for the purpose of assisting the financing or refinancing of the Authority’s project areas. Under the JPA Law, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

B. Basic Financial Statements – Government-Wide Statements

The City’s basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City’s major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The City’s public safety, highways and streets, parks and recreation, building inspection, public improvements, planning and zoning and general administrative services are classified as governmental activities. The City’s water, sewer, refuse collection and airport services are classified as business-type activities.

In the government-wide Statement of Net Position, both governmental and business-type activities are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City’s net position are reported in three parts – invested in capital assets, net of related debt; restricted net position and unrestricted net position. The City first utilizes restricted resources to finance qualified activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the City’s functions and business-type activities (public safety, public improvements, etc.). The functions are also supported by general government revenue (property, sales and other taxes, certain intergovernmental revenue, fines, permits and charges, etc.). The Statement of Activities reduces gross expense (including depreciation) by related program revenue, operating and capital grants. Program revenue must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants (property, plant and equipment).

The net costs (by function or business-type activity) are normally covered by general revenue (property, sales or other taxes, intergovernmental revenue, interest income, etc.).

The City does not allocate indirect costs. An administrative service fee is charged by the General Fund to the other operating funds that is eliminated like a reimbursement (reducing the revenue and expense in the General Fund) to recover the direct costs of General Fund services provided (finance, personnel, purchasing, legal, technology management, etc.).

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net position resulting from the current year's activities.

C. Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenue and expenditures or expenses. The various funds are reported by generic classification within the financial statements.

The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. Debt service funds are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.
- d. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

Proprietary Funds:

The focus of proprietary funds measurement is upon determination of operating income, changes in net position, financial position and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

- a. Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenue, has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or establishes fees and charges based on a pricing policy designed to recover similar costs.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

- b. Internal service funds are used to account for the financing of goods or services provided by an activity to other departments, funds or component units of the City on a cost-reimbursement basis.

Fiduciary Funds:

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net position and changes in net position are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenue or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The City's internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (public safety, public improvements, etc.).

The City's fiduciary funds are presented in the fiduciary fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, pension participants, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide financial statements.

D. Basis of Accounting

Basis of accounting refers to the point at which revenue and expenditure/expense are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

The financial statements of the City are prepared in accordance with generally accepted accounting principles. The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with the GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Accrual:

Both governmental and business-type activities in the government-wide financial statements and the proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenue is recognized when earned and expense is recognized when incurred.

Modified accrual:

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is the principal and interest on general obligation long-term debt, if any, is recognized when due.

E. Financial Statement Amounts

Cash and cash equivalents:

The City has defined cash and cash equivalents to include cash on hand, demand deposits and cash with fiscal agents. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

Investments:

Investments, including deferred compensation and pension funds, if any, are stated at fair value (quoted market price or the best available estimate).

Inventories:

Inventories consist of expendable supplies held for the City's use and are carried at cost using the first-in, first-out method.

Capital Assets:

Capital assets purchased or acquired with an original cost of \$1,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided using the straight-line method over the following estimated useful lives:

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Buildings	30 years
Improvements other than buildings	40 years
Utility plant	40 years
Furniture and equipment	10 years
Automobiles and trucks	5 years

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective July 1, 2004. Infrastructure assets include roads, bridges underground pipe (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the City's financial statements. Retroactive reporting of infrastructure is subject to an extended implementation period and was first effective for fiscal year ended June 30, 2006. The City was required to implement the general provisions of GASB Statement No. 34 in prior years and implemented the retroactive provisions (under the modified approach) in the fiscal year ending June 30, 2010.

Fund Equity:

In the fund financial statements, governmental funds report fund balance amounts in the following classifications: Nonspendable, restricted, committed, assigned and unassigned. Nonspendable amounts represent inventories, prepaid items and long-term receivables. Restricted amounts have been restricted by external bodies. Committed amounts have been restricted by the City's governing board. Assigned amounts represent tentative designations by the City. Unassigned amounts are spendable and are not restricted, committed or assigned.

Net Position

Net position comprise the various net earnings from operating income, nonoperating revenue and expense and capital contributions. Net position are classified in the following three components:

Invested in capital assets, net of related debt – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net asset components as the unspent proceeds.

Restricted – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that do not meet the definition of restricted or invested in capital assets, net of related debt.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue:

Substantially all governmental fund revenue is accrued. Property taxes are billed and collected within the same period in which the taxes are levied. Subsidies and grants to proprietary funds, which finance either capital or current operations, are reported as nonoperating revenue based on GASB Statement No. 33. In applying Statement No. 33 to grant revenue, the provider recognizes liabilities and expense and the recipient recognizes receivables and revenue when the applicable eligibility requirements, including time requirements, are met. Resources transmitted before the eligibility requirements are met are reported as advances by the provider and deferred revenue by the recipient.

Expenditures:

Expenditures are recognized when the related fund liability is incurred. Inventory costs are reported in the period when inventory items are used, rather than in the period purchased.

Compensated absences:

The City accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in future years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund activity:

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenue and expenditure/expense. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Capitalization of leases:

Capitalizable leases have been treated in accordance with FASB Statement No. 13, "Accounting for Leases", as amended. See Notes 4 and 5 for further discussion.

Pension plan:

All full-time City employees are members of the State of California Public Employees' Retirement System. The City's policy is to fund all pension costs accrued; such costs to be funded are determined annually as of July 1 by the System's actuary. See note six.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Bond discount and issuance costs:

For governmental funds, bond discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable discount. Issuance costs, whether or not withheld from the actual net proceeds received, are reported as debt service expenditures. For business-type funds, bond discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of applicable bond discounts. Issuance costs are reported as deferred charges.

Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from these estimates.

2. CASH AND CASH EQUIVALENTS

California law authorizes the City to invest in obligations of the United States Treasury, agencies and instrumentalities, certificates of deposit of time deposits in banks and savings and loan associations which are insured by the Federal Deposit Insurance Corporation. The following is a summary of cash as of June 30, 2013:

Cash on hand	\$ 4,000
Cash with fiscal agents	2,339,930
Deposits	1,096,807
Local Agency Investment Fund	1,263
Securities	<u>12,937,615</u>
	<u>\$ 16,379,615</u>

The City's investments with LAIF at June 30, 2013 include a portion of the pooled funds invested in derivatives and similar transactions. These investments may include the following:

Structured notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-backed securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as CMOs) or credit card receivables.

As of June 30, 2013, the City had \$1,263 invested in LAIF. Cash held by fiscal agents amounted to \$2,339,930 as of June 30, 2013. Fiscal agents hold these funds for disbursements related only to debt service and fixed asset acquisition.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

3. CAPITAL ASSETS

Capital assets (property, plant and equipment) of governmental activities (including capital assets of the internal service fund), consisted of the following as of June 30, 2013:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Land	\$ 2,792,382	\$	\$	\$ 2,792,382
Buildings	1,388,765	217,413		1,606,178
Improvements	17,575,061	1,807,146		19,382,207
Furniture and equipment	1,245,601	26,143		1,271,744
Vehicles	<u>4,282,611</u>	<u>49,939</u>		<u>4,332,550</u>
Total	27,284,420	2,100,641		29,385,061
Allowance for depreciation	<u>(6,748,270)</u>	<u>(1,856,529)</u>		<u>(8,604,799)</u>
	<u>\$ 20,536,150</u>	<u>\$ 244,112</u>	<u>\$</u>	<u>\$ 20,780,262</u>

Capital assets in the proprietary funds as of June 30, 2013, consisted of the following:

	<u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2013</u>
Land	\$ 1,032,599	\$	\$	\$ 1,032,599
Buildings	970,532	76,894		1,047,426
Improvements	56,313,025	2,091,382		58,404,407
Furniture and equipment	8,050,464	389,999		8,440,463
Vehicles	<u>2,831,536</u>	<u>1,023,897</u>		<u>3,855,433</u>
Total	69,198,156	3,582,172		72,780,328
Allowance for depreciation	<u>(13,227,114)</u>	<u>(4,501,388)</u>		<u>(17,728,502)</u>
	<u>\$ 55,971,042</u>	<u>\$ (919,216)</u>	<u>\$</u>	<u>\$ 55,051,826</u>

4. LONG-TERM LIABILITIES (GOVERNMENTAL ACTIVITIES)

During the year ended June 30, 2013, the following changes occurred to long-term liabilities of governmental activities:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
Compensated absences	\$ 223,511	\$	\$ 23,806	\$ 199,705
Capital lease obligation	<u>245,753</u>		<u>59,500</u>	<u>186,253</u>
	<u>\$ 469,264</u>	<u>\$</u>	<u>\$ 83,306</u>	<u>\$ 385,958</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

4. LONG-TERM LIABILITIES (GOVERNMENTAL ACTIVITIES), Continued

Capital Leases Payable

On June 22, 2012, the City acquired five police vehicles and financed the purchase with a capital lease. Terms of the agreement call for quarterly payments of \$16,473. The obligation bears interest at the rate of 3.71 percent per annum. The annual debt requirements due under the terms of the lease are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 59,806	\$ 6,084	\$ 65,890
2015	62,056	3,834	65,890
2016	<u>64,391</u>	<u>1,500</u>	<u>65,891</u>
Total	<u>\$ 186,253</u>	<u>\$ 11,418</u>	<u>\$ 197,671</u>

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS)

During the year ended June 30, 2013, the following changes occurred in the long-term debt of the proprietary funds:

	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2013</u>
Revenue bonds payable	\$ 510,000	\$	\$ 165,000	\$ 345,000
Revenue bonds payable	14,135,000		305,000	13,830,000
Revenue bonds payable	3,760,000		90,000	3,670,000
Note payable	25,347,754		1,142,444	24,205,310
Note payable	374,221		21,169	353,052
Note payable		390,000		390,000
Capital lease payable	102,871		27,766	75,105
Capital lease payable	37,240		37,240	
Capital lease payable	<u>174,326</u>		<u>42,874</u>	<u>131,452</u>
	<u>\$ 44,441,412</u>	<u>\$ 390,000</u>	<u>\$ 1,831,493</u>	<u>\$ 42,999,919</u>

Revenue Bonds Payable

The 2001 Reedley Public Financing Authority Lease Revenue Refunding Bonds (Wastewater Treatment Plant Project) in the amount of \$1,950,000 were issued on December 18, 2001. Interest on the bonds ranges from 2.00% to 4.55%. The City signed a lease agreement with the Authority with loan payments plus interest due June 1 of each year beginning in 2002 through 2015. The bonds are subject to optional redemption on or after June 1, 2013, with mandatory redemption on June 1, 2015. The annual debt requirements due under the terms of the bonds are as follows:

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 170,000	\$ 15,097	\$ 185,097
2015	<u>175,000</u>	<u>7,787</u>	<u>182,787</u>
Total	<u>\$ 345,000</u>	<u>\$ 22,884</u>	<u>\$ 367,884</u>

The Trust Agreement signed by the City upon the issuance of the Lease Revenue Refunding Bonds requires that a separate Reserve Account be established and that the Reserve Account maintain an amount equal to the Reserve Requirement which is \$187,028. In addition, the Continuing Disclosure Agreement requires an Annual Rate Covenant Test. The following presentation satisfies those requirements:

Reserve Account balance as of June 30, 2013	<u>\$ 183,589</u>
Annual Rate Covenant Test:	
Annual Rate Covenant (110 percent of Maximum Annual Debt Service on the Bonds)	<u>\$ 205,730</u>
Sewer Utility Fund Wastewater Gross Revenue	\$ 4,796,776
Sewer Utility Fund Wastewater Operation and Maintenance Costs	<u>4,882,869</u>
Sewer Utility Fund Wastewater System - "Net Revenues"	<u>\$ (86,093)</u>

The City did not maintain a balance in the Reserve Account equal to or greater than the Reserve Requirement. The deficiency amounted to \$3,439.

The 2010 Reedley Public Financing Authority Wastewater Revenue Bonds in the amount of \$4,155,000 were issued on April 10, 2007. Interest on the bonds ranges from 3.550% to 4.400%. The City signed an agreement with the Authority with loan payments plus interest due June 1 of each year beginning in 2007 through 2037. The annual debt requirements due under the terms of the bonds are as follows:

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 90,000	\$ 158,251	\$ 248,251
2015	95,000	154,651	249,651
2016	100,000	150,851	250,851
2017	105,000	146,851	251,851
2018	105,000	142,651	247,651
2019 – 2023	600,000	644,190	1,244,190
2024 – 2028	750,000	502,338	1,252,338
2029 – 2033	925,000	323,351	1,248,351
2034 – 2037	<u>900,000</u>	<u>101,200</u>	<u>1,001,200</u>
Total	<u>\$ 3,670,000</u>	<u>\$ 2,324,334</u>	<u>\$ 5,994,334</u>

The 2010 Reedley Public Financing Authority Water Revenue Bonds in the amount of \$15,250,000 were issued on May 11, 2007. Interest on the bonds ranges from 4.000% to 5.000%. The City signed an agreement with the Authority with loan payments plus interest due September 1 of each year beginning in 2009 through 2037. The annual debt requirements due under the terms of the bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 320,000	\$ 598,363	\$ 918,363
2015	330,000	585,362	915,362
2016	345,000	571,862	916,862
2017	360,000	557,762	917,762
2018	375,000	541,188	916,188
2019 - 2023	2,140,000	2,435,038	4,575,038
2024 - 2028	2,640,000	1,929,322	4,569,322
2029 – 2033	3,265,000	1,285,509	4,550,509
2034 – 2037	<u>4,055,000</u>	<u>472,388</u>	<u>4,527,388</u>
Total	<u>\$ 13,830,000</u>	<u>\$ 8,976,794</u>	<u>\$ 22,806,794</u>

Notes Payable

On October 23, 2007, the Sewer Fund entered into an agreement with the State Water Resources Control Board to borrow up to \$26,964,921 to finance various wastewater treatment plant improvements. Through June 30, 2013, the Sewer Fund had drawn \$26,942,897 of these funds. This obligation bears interest at the rate of 2.40 percent per annum. The annual debt requirements due under the terms of the note are as follows:

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,169,862	\$ 580,927	\$ 1,750,789
2015	1,197,939	552,851	1,750,790
2016	1,226,689	524,101	1,750,790
2017	1,256,130	494,660	1,750,790
2018	1,286,277	464,513	1,750,790
2019 – 2023	6,909,532	1,844,416	8,753,948
2024 – 2028	7,779,442	974,506	8,753,948
2029 – 2030	<u>3,379,439</u>	<u>122,140</u>	<u>3,501,579</u>
Total	<u>\$ 24,205,310</u>	<u>\$ 5,558,114</u>	<u>\$ 29,763,424</u>

On March 22, 2011, the Airport Fund borrowed \$390,928 from the Successor Agency to the Reedley Redevelopment Agency to finance airport expansion. In 2013, the loan was transferred from the Successor Agency to the City's General Fund. Terms of the agreement call for annual payments from the Airport Fund to the Redevelopment Agency of \$34,268. The obligation bears interest at the rate of 1.50 percent per annum. The annual debt requirements due under the terms of the loan are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 21,911	\$ 12,357	\$ 34,268
2015	22,678	11,590	34,268
2016	23,472	10,796	34,268
2017	24,293	9,975	34,268
2018	25,143	9,124	34,268
2019 - 2023	139,549	31,790	171,339
2024 - 2026	<u>96,006</u>	<u>6,798</u>	<u>102,803</u>
Total	<u>\$ 353,052</u>	<u>\$ 92,430</u>	<u>\$ 445,482</u>

On June 13, 2013, the Water Fund purchased electric water meter radios and financed the purchase with an installment sale agreement. Terms of the agreement call for quarterly payments of \$20,858. The obligation bears interest at the rate of 2.60 percent per annum. The annual debt requirements due under the terms of the note are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 74,010	\$ 9,423	\$ 83,433
2015	75,954	7,479	83,433
2016	77,948	5,485	83,433
2017	79,994	3,438	83,432
2018	<u>82,094</u>	<u>1,338</u>	<u>83,432</u>
Total	<u>\$ 390,000</u>	<u>\$ 27,163</u>	<u>\$ 417,163</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

5. LONG-TERM LIABILITIES (PROPRIETARY FUNDS), Continued

Capital Leases Payable

On December 22, 2005, the Sewer Fund acquired a vactor truck and financed the purchase with a capital lease. Terms of the agreement call for quarterly payments of \$7,983. The obligation bears interest at the rate of 4.50 percent per annum. The annual debt requirements due under the terms of the lease are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 29,038	\$ 2,894	\$ 31,932
2015	30,367	1,565	31,932
2016	<u>15,700</u>	<u>266</u>	<u>15,966</u>
Total	<u>\$ 75,105</u>	<u>\$ 4,725</u>	<u>\$ 79,830</u>

On April 15, 2013, the Disposal Fund acquired a mobile diesel powered wood grinder/colorizer and financed the purchase with a capital lease. Terms of the agreement call for monthly payments of \$4,102. The obligation bears interest at the rate of 4.10 percent per annum. The annual debt requirements due under the terms of the lease are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 44,665	\$ 4,556	\$ 49,221
2015	46,531	2,690	49,221
2016	<u>40,256</u>	<u>762</u>	<u>41,018</u>
Total	<u>\$ 131,452</u>	<u>\$ 8,008</u>	<u>\$ 139,460</u>

6. PENSION PLAN

Plan Description: The City contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from their Executive Office – 400 P Street – Sacramento, CA 95814.

Funding Policy: Participants are required to contribute seven percent (nine percent for safety employees) of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 11.030 percent for non-safety employees and 21.455 percent (fire) and 26.892 (police) for safety employees of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

6. PENSION PLAN, Continued

Annual Pension Cost: For the year ended June 30, 2013, the City's annual pension cost of \$1,229,416 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2012, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50 percent investment rate of return (net of administrative expenses), (b) projected annual salary increases that vary by duration of service and (c) 3.30 to 14.20 percent per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 2.75 percent. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a 15-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2012, was 20 years as of the valuation date.

FIVE-YEAR TREND INFORMATION FOR PERS

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	\$ 1,101,226	100	-0-
6/30/10	1,192,908	100	-0-
6/30/11	1,222,166	100	-0-
6/30/12	1,202,100	100	-0-
6/30/13	1,229,416	100	-0-

<u>Valuation Date</u>	<u>Entry Age Normal Accrued Liabilities</u>	<u>Actuarial Value of Assets</u>	<u>Unfunded Liability (UL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UL as a % of Payroll</u>
6/30/08	\$4,535,840,079	\$4,064,932,887	\$470,907,192	89.6%	\$ 899,197,248	52.4%
6/30/09	4,907,680,552	4,278,592,429	629,088,123	87.2%	964,581,680	65.2%
6/30/10	5,224,160,760	4,575,323,389	648,837,371	87.6%	972,963,360	66.7%
6/30/11	5,681,759,809	4,962,501,696	719,258,113	87.3%	984,289,734	73.1%
6/30/12	6,358,689,108	5,582,737,634	775,951,474	87.8%	989,123,746	78.4%

Information for the year ended June 30, 2013 is not yet available.

7. PRIOR PERIOD ADJUSTMENT

The General Fund fund balance and governmental activities net position as of July 1, 2012 have been increased as follows:

	<u>General Fund Fund Balance</u>	<u>Governmental Activities Net Position</u>
Previously stated	\$ 1,572,952	\$ 29,606,545
Due from State of California - mandated costs reimbursements	<u>728,939</u>	<u>728,939</u>
Fund balance/net position as modified	<u>\$ 2,301,891</u>	<u>\$ 30,335,484</u>

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

8. FRESNO COUNTY TRANSPORTATION AUTHORITY FUND

The Fresno County Transportation Authority Fund (FCTA) is comprised five individual funds. The activity for the five individual funds is included within the Street Projects Fund in the financial statements. The following is a summary of these funds for the year ended June 30, 2013:

	Flexible Funding	Americans with Disabilities Act	Street Maintenance	Pedestrian Trails	Bike	Total
Total assets	\$ 758,411	\$ 37,107	\$1,062,085	\$ 24,084	\$ 25,674	\$1,907,361
Total liabilities	981		65,802	10,361		77,144
Net position	<u>\$ 757,430</u>	<u>\$ 37,107</u>	<u>\$ 996,283</u>	<u>\$ 13,723</u>	<u>\$ 25,674</u>	<u>\$1,830,217</u>
Total revenue	\$ 291,940	\$ 8,057	\$ 242,366	\$ 311	\$ 887	\$ 543,561
Total expenditures	178,592		80,840	57,111	395	316,938
Increase/decrease in net position	<u>\$ 113,348</u>	<u>\$ 8,057</u>	<u>\$ 161,526</u>	<u>\$ (56,800)</u>	<u>\$ 492</u>	<u>\$ 226,623</u>

9. FUND BALANCE

Fund Balances Reservations/Designations

Fund balances as of June 30, 2013, have been designated for the following purposes:

	General	Special Revenue	Enterprise
Designated for			
Nonspendable (unavailable for spending)	\$ 1,884,101	\$	\$
Restricted (by external entities)		1,303,723	10,604
Committed (by City Council)			
Assigned (by management)	7,032	1,031,119	
Unassigned (unrestricted)	<u>561,376</u>	<u>5,202,947</u>	<u>7,532,656</u>
	<u>\$ 2,452,509</u>	<u>\$ 7,537,789</u>	<u>\$ 7,543,260</u>

Fund Balance and Retained Earnings Deficits

The following is a summary of deficit fund balances and retained earnings as of June 30, 2013:

Special revenue fund - Community Development Block Grant	\$ 13,422
Special revenue fund - Downtown Streetscape	7,303
Special revenue fund - COPS Program	1,712
Special revenue fund - Transit	1,037

10. OTHER POST EMPLOYMENT BENEFITS

During the year ending June 30, 2014, the City commissioned an actuarial study of its non-pension post-retirement benefits. The study is being made in an effort to comply with GASB 45.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

11. INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivables and payables as of June 30, 2013:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 797,110	\$ 75,738
General Fund (advances to other funds)	353,052	
Gas Tax Fund	11,337	
Street Projects Fund		1,248,485
Public Safety Sales Tax Fund	7,779	
Developer Impact Fee Funds	756,977	98,363
Transit Fund	7,203	47,543
Community Development Block Grant Fund		13,422
Senior Citizens Fund	410	1,063
Landscape Maintenance Fund	1,638	
Downtown Streetscape Fund		6,549
COPS Program Fund	1,430	
Water Enterprise Fund	12,187	
Sewer Enterprise Fund	11,367	
Disposal Enterprise Fund	15,571	
Airport Enterprise Fund	291	137,542
Airport Enterprise Fund (advances from other funds)		353,052
Equipment Shop Internal Service Fund	<u>5,405</u>	
	<u>\$ 1,981,757</u>	<u>\$ 1,981,757</u>

12. INTERFUND TRANSFERS

The following is a summary of interfund transfers for the year ended June 30, 2013:

	<u>Transfers to Other Funds</u>	<u>Transfers from Other Funds</u>
General Fund	\$ 10,177	\$ 398,882
Senior Citizens Fund		10,177
Community Facilities District Fund	<u>398,882</u>	
	<u>\$ 409,059</u>	<u>\$ 409,059</u>

In addition, the Downtown Streetscape Fund made a \$125,000 residual equity transfer to the Successor Agency to the Reedley Redevelopment Agency during the year ended June 30, 2013.

CITY OF REEDLEY
NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013

13. RISK MANAGEMENT

The City participates with other public entities in a joint venture under a joint powers agreement which establishes the Central San Joaquin Valley Risk Management Authority (CSJVRMA). The relationship between the City and CSJVRMA is such that CSJVRMA is not a component unit of the City for financial reporting purposes.

The City is covered for the first \$1,000,000 of each general liability claim through the CSJVRMA. The City has the right to receive dividends and the obligation to pay assessments based on a formula which, among other expenses, charges the City's account for liability losses under \$50,000. The CSJVRMA participates in an excess pool, which provides general liability coverage from \$1,000,000 to \$15,000,000.

The CSJVRMA is a consortium of 54 cities in San Joaquin Valley, California. It was established under the provisions of California Government Code Section 6500, et. seq. The CSJVRMA is governed by a board of directors, which meets three to four times each year, consisting of one member appointed by each member city. The day-to-day business is handled by a management group employed by the CSJVRMA. The audited financial position and results of operations of CSJVRMA as of June 30, 2013, are presented below:

Total assets	\$ 82,190,005
Total liabilities	<u>66,304,596</u>
Net position	<u>\$ 15,885,409</u>
Total revenue	\$ 31,386,818
Total expenses and other outgo	<u>27,784,428</u>
Increase/(decrease) in net position	<u>\$ 3,602,390</u>

At the termination of the joint powers agreement and after all claims have been settled, any excess or deficit will be divided among the member cities in accordance with governing documents of CSJVRMA.

14. CONTINGENCIES

Federal and State Government Programs

The City participates in several federal and state grant programs. These programs have been audited in accordance with the provisions of the federal Single Audit Act of 1984 and applicable state requirements. No cost disallowances were proposed as a result of these audits. However, these programs are still subject to further examination by the grantors and the amount, if any, of expenditures, which may be disallowed by the granting agencies, cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

SUPPLEMENTARY INFORMATION

CITY OF REEDLEY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2013

	<u>Transit</u>	<u>Community Development Block Grant</u>	<u>State Prop 1B</u>	<u>Local Transpor- tation</u>	<u>Senior Citizens</u>	<u>Landscape Mainte- nance</u>	<u>Community Facilities District</u>	<u>Downtown Streetscape</u>	<u>COPS Program</u>	<u>Total Nonmajor Special Revenue Funds</u>
Assets										
Cash and cash equivalents	\$	\$	\$ 325,583	\$ 554,085	\$	\$ 71,912	\$ 15,062	\$	\$ 3,059	\$ 969,701
Accounts receivable	47,616			68,188	1,144			1,514		118,462
Due from other funds	<u>7,203</u>				<u>410</u>	<u>1,638</u>			<u>1,430</u>	<u>10,681</u>
	<u>\$ 54,819</u>	<u>\$</u>	<u>\$ 325,583</u>	<u>\$ 622,273</u>	<u>\$ 1,554</u>	<u>\$ 73,550</u>	<u>\$ 15,062</u>	<u>\$ 1,514</u>	<u>\$ 4,489</u>	<u>\$ 1,098,844</u>
Liabilities and Fund Balance										
Liabilities										
Accounts payable and accrued expense	\$ 74	\$	\$	\$ 11,645	\$ 81	\$ 3,159	\$	\$ 2,268	\$	\$ 17,227
Accrued wages and related costs	8,239					3,052			6,201	17,492
Due to other funds	<u>47,543</u>	<u>13,422</u>			<u>1,063</u>			<u>6,549</u>		<u>68,577</u>
Total liabilities	<u>55,856</u>	<u>13,422</u>		<u>11,645</u>	<u>1,144</u>	<u>6,211</u>		<u>8,817</u>	<u>6,201</u>	<u>103,296</u>
Fund balance										
Assigned			325,583	610,628	410	67,339	15,062			1,019,022
Unassigned/(deficit)	<u>(1,037)</u>	<u>(13,422)</u>						<u>(7,303)</u>	<u>(1,712)</u>	<u>(23,474)</u>
Total fund balance	<u>(1,037)</u>	<u>(13,422)</u>	<u>325,583</u>	<u>610,628</u>	<u>410</u>	<u>67,339</u>	<u>15,062</u>	<u>(7,303)</u>	<u>(1,712)</u>	<u>995,548</u>
	<u>\$ 54,819</u>	<u>\$</u>	<u>\$ 325,583</u>	<u>\$ 622,273</u>	<u>\$ 1,554</u>	<u>\$ 73,550</u>	<u>\$ 15,062</u>	<u>\$ 1,514</u>	<u>\$ 4,489</u>	<u>\$ 1,098,844</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
COMBINING STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Transit</u>	<u>Community Development Block Grant</u>	<u>State Prop 1B</u>	<u>Local Transpor- tation</u>	<u>Senior Citizens</u>	<u>Landscape Mainte- nance</u>	<u>Community Facilities District</u>	<u>Downtown Streetscape</u>	<u>COPS Program</u>	<u>Total Nonmajor Special Revenue Funds</u>
Revenue										
Intergovernmental	\$ 309,530	\$ 380,252	\$	\$ 490,147	\$ 6,858	\$	\$	\$	\$ 100,000	\$ 1,286,787
Taxes							434,053			434,053
Charges for services	30,279				9,630	141,222		22,744		203,875
Interest			2,366	1,951		142		995		5,454
Other				2,590				655		3,245
	<u>339,809</u>	<u>380,252</u>	<u>2,366</u>	<u>494,688</u>	<u>16,488</u>	<u>141,364</u>	<u>434,053</u>	<u>24,394</u>	<u>100,000</u>	<u>1,933,414</u>
Total revenue										
Expenditures										
Public works		380,659	82,400	429,220		137,407		48,733		1,078,419
Community services	336,355				26,255					362,610
Police									101,712	101,712
Administration							16,892			16,892
	<u>336,355</u>	<u>380,659</u>	<u>82,400</u>	<u>429,220</u>	<u>26,255</u>	<u>137,407</u>	<u>16,892</u>	<u>48,733</u>	<u>101,712</u>	<u>1,559,633</u>
Total expenditures										
Revenue over/(under) expenditures	3,454	(407)	(80,034)	65,468	(9,767)	3,957	417,161	(24,339)	(1,712)	373,781
Other financing sources/(uses)										
Operating transfers in/(out)					10,177		(398,882)			(388,705)
Residual equity transfers in/(out)								(125,000)		(125,000)
	<u>3,454</u>	<u>(407)</u>	<u>(80,034)</u>	<u>65,468</u>	<u>410</u>	<u>3,957</u>	<u>18,279</u>	<u>(149,339)</u>	<u>(1,712)</u>	<u>(139,924)</u>
Revenue and other financing sources over/(under) expenditures and other financing uses										
Fund balance, beginning of year	<u>(4,491)</u>	<u>(13,015)</u>	<u>405,617</u>	<u>545,160</u>		<u>63,382</u>	<u>(3,217)</u>	<u>142,036</u>		<u>1,135,472</u>
Fund balance, end of year	<u>\$ (1,037)</u>	<u>\$ (13,422)</u>	<u>\$ 325,583</u>	<u>\$ 610,628</u>	<u>\$ 410</u>	<u>\$ 67,339</u>	<u>\$ 15,062</u>	<u>\$ (7,303)</u>	<u>\$ (1,712)</u>	<u>\$ 995,548</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive – (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>(Negative)</u>
Revenue				
Taxes	\$ 2,783,481	\$ 2,783,481	\$ 3,114,714	\$ 331,233
Intergovernmental	2,498,046	2,531,886	2,371,255	(160,631)
Charges for services	924,505	957,772	940,625	(17,147)
Licenses and permits	155,505	155,505	226,818	71,313
Other	74,968	74,968	52,495	(22,473)
Interest	<u>45,300</u>	<u>45,300</u>	<u>48,315</u>	<u>3,015</u>
Total revenue	<u>6,481,805</u>	<u>6,548,912</u>	<u>6,754,222</u>	<u>205,310</u>
Expenditures				
Current				
Public safety	4,758,494	4,790,224	4,677,519	112,705
Community services	838,436	878,425	952,089	(73,664)
Administration and finance	516,590	528,876	445,398	83,478
Public works	641,762	690,069	510,560	179,509
Community development	427,591	501,856	406,743	95,113
Debt service	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total expenditures	<u>7,182,873</u>	<u>7,389,450</u>	<u>6,992,309</u>	<u>397,141</u>
Revenue over/(under) expenditures	(701,068)	(840,538)	(238,087)	602,451
Other financing sources				
Transfers in/(out) - net	<u>388,705</u>	<u>387,098</u>	<u>388,705</u>	<u>1,607</u>
Net change in fund balance	(312,363)	(453,440)	150,618	604,058
Fund balance, beginning of year	<u>1,572,952</u>	<u>1,572,952</u>	<u>1,572,952</u>	<u> </u>
Fund balance, end of year	<u>\$ 1,260,589</u>	<u>\$ 1,119,512</u>	<u>\$ 1,723,570</u>	<u>\$ 604,058</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BUDGETARY COMPARISON SCHEDULE
GAS TAX FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive –</u>
				<u>(Negative)</u>
Revenue				
Taxes	\$ 404,282	\$ 404,282	\$ 378,483	\$ (25,799)
Intergovernmental	284,685	284,685	228,089	(56,596)
Other				
Interest	<u>600</u>	<u>600</u>	<u>479</u>	<u>(121)</u>
Total revenue	<u>689,567</u>	<u>689,567</u>	<u>607,051</u>	<u>(82,516)</u>
Expenditures				
Current				
Public works	<u>700,452</u>	<u>699,510</u>	<u>672,943</u>	<u>26,567</u>
Total expenditures	<u>700,452</u>	<u>699,510</u>	<u>672,943</u>	<u>26,567</u>
Revenue over/(under)				
expenditures	(10,885)	(9,943)	(65,892)	(55,949)
Fund balance, beginning of year	<u>71,711</u>	<u>71,711</u>	<u>71,711</u>	<u></u>
Fund balance, end of year	<u>\$ 60,826</u>	<u>\$ 61,768</u>	<u>\$ 5,819</u>	<u>\$ (55,949)</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BUDGETARY COMPARISON SCHEDULE
STREET PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive –</u>
				<u>(Negative)</u>
Revenue				
Intergovernmental	\$ 5,651,245	\$ 5,651,245	\$ 890,218	\$ (4,761,027)
Interest	8,235	8,235	9,547	1,312
Other			28	28
Total revenue	<u>5,659,480</u>	<u>5,659,480</u>	<u>899,793</u>	<u>(4,759,687)</u>
Expenditures				
Current				
Public works	<u>5,522,152</u>	<u>23,828,474</u>	<u>1,699,534</u>	<u>22,128,940</u>
Total expenditures	<u>5,522,152</u>	<u>23,828,474</u>	<u>1,699,534</u>	<u>22,128,940</u>
Revenue over/(under)				
expenditures	137,328	(18,168,994)	(799,741)	17,369,253
Fund balance, beginning of year	<u>1,340,596</u>	<u>1,340,596</u>	<u>1,340,596</u>	
Fund balance, end of year	<u>\$ 1,477,924</u>	<u>\$ (16,828,398)</u>	<u>\$ 540,855</u>	<u>\$ 17,369,253</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SALES TAX
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive –</u>
				<u>(Negative)</u>
Revenue				
Taxes	\$ 885,000	\$ 885,000	\$ 995,700	\$ 110,700
Interest	<u>8,000</u>	<u>8,000</u>	<u>4,080</u>	<u>(3,920)</u>
Total revenue	<u>893,000</u>	<u>893,000</u>	<u>999,780</u>	<u>106,780</u>
Expenditures				
Current				
Public safety	885,466	913,250	854,012	59,238
Debt service	<u>65,800</u>	<u>65,800</u>	<u>82,363</u>	<u>(16,563)</u>
Total expenditures	<u>951,266</u>	<u>979,050</u>	<u>936,375</u>	<u>42,675</u>
Revenue over/(under)				
expenditures	(58,266)	(86,050)	63,405	149,455
Fund balance, beginning of year	<u>693,644</u>	<u>693,644</u>	<u>693,644</u>	<u> </u>
Fund balance, end of year	<u>\$ 635,378</u>	<u>\$ 607,594</u>	<u>\$ 757,049</u>	<u>\$ 149,455</u>

See accompanying notes to financial statements.

CITY OF REEDLEY
BUDGETARY COMPARISON SCHEDULE
DEVELOPER IMPACT FEES FUND
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive – (Negative)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u></u>
Revenue				
Charges for services	\$ 226,468	\$ 265,168	\$ 792,000	\$ 526,832
Interest	<u>54,260</u>	<u>54,260</u>	<u>27,006</u>	<u>(27,254)</u>
Total revenue	<u>280,728</u>	<u>319,428</u>	<u>819,006</u>	<u>499,578</u>
Expenditures				
Current				
Community services	171,899	237,378		237,378
Public works	1,474,956	2,364,684	245,520	2,119,164
Debt service		658,016		658,016
Public safety	<u>9,177</u>	<u>49,176</u>	<u>31,730</u>	<u>17,446</u>
Total expenditures	<u>1,656,032</u>	<u>3,309,254</u>	<u>277,250</u>	<u>3,032,004</u>
Revenue over/(under) expenditures	(1,375,304)	(2,989,826)	541,756	3,531,582
Other financing sources/(uses)				
Transfers in/(out) – net	<u></u>	<u></u>	<u></u>	<u></u>
Net change in fund balance	(1,375,304)	(2,989,826)	541,756	3,531,582
Fund balance, beginning of year	<u>4,696,762</u>	<u>4,696,762</u>	<u>4,696,762</u>	<u></u>
Fund balance, end of year	<u>\$ 3,321,458</u>	<u>\$ 1,706,936</u>	<u>\$ 5,238,518</u>	<u>\$ 3,531,582</u>

See accompanying notes to financial statements.

SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

1423 Eleventh Street
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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

December 31, 2013

To the Honorable Mayor and City Council
City of Reedley, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Reedley as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 31, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Reedley's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency*, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Reedley's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of the Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Sanborn and Sanborn
Accountancy Corporation*

Certified Public Accountants

SANBORN & SANBORN ACCOUNTANCY CORPORATION

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

December 31, 2013

To the Honorable Mayor and City Council
City of Reedley, California

Report on Compliance for Each Major Federal Program

We have audited City of Reedley's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Reedley's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Reedley complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The management of City of Reedley is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of City of Reedley as of and for the year ended June 30, 2013, and have issued our report thereon dated December 31, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Sanborn and Sanborn
Accountancy Corporation*

Certified Public Accountants

CITY OF REEDLEY
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEAR ENDED JUNE 30, 2013

<u>Program Name</u>	<u>CFDA Number</u>	<u>Project Number</u>	<u>Revenue</u>	<u>Expenditures</u>
Department of Housing and Urban Development: (pass-through from County of Fresno, State of California – Title I of Housing and Community Development Act of 1974) Community Development Block Grant/Entitlement Grants	14.218	12-571	\$ 380,252	\$ 380,659
Department of Justice: (pass-through from State of California) Edward Byrne Memorial Justice Assistance Grant Program	16.804	2012-DJ-BX-0939	10,611	10,611
Department of Justice: (pass-through from State of California) Public Safety Partnership and Community Policing Grants	16.710		99,541	81,734
Department of Justice: (pass-through from State of California)			1,909	1,909
Department of Commerce: (pass-through from State of California) Investments for Public Works and Economic Development Facilities	11.300	07-01-06141	507,344	574,746
Department of Transportation: (pass-through from State of California) Airport Improvement Program	20.106	3-06-0196-013	52,602	67,492
Department of Transportation: (pass-through from State of California) Airport Improvement Program	20.106	3-06-0196-014	21,149	3,500
Department of Transportation: (pass-through from State of California)		16-FRE-0-REED BHLS 5216(028)	146,043	214,358
Department of Transportation: (pass-through from State of California)			3,867	3,437
Department of Education: (pass-through from Fresno County Superintendent of Schools) Twenty-First Century Community Learning Centers (A)	84.287		114,530	111,450
Department of Education: (pass-through from Fresno County Superintendent of Schools) Save the Children			74,952	59,514
Department of Health and Human Services: (pass-through from Fresno-Madera Area Agency on Aging) Special Programs for Aging--Title III, Part C--Nutrition Services	93.045	13-0171	6,858	6,858
			<u>\$ 2,204,099</u>	<u>\$ 1,516,268</u>

Basis of Presentation:

The accompanying schedule of expenditures of federal financial assistance includes the federal grant activity of the City of Reedley and is presented on the accrual method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

CITY OF REEDLEY
SCHEDULE OF AUDITORS' RESULTS, FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

(1) Summary of Auditors' Results:

- (a) Type of report issued on the general purpose financial statements: Unqualified opinion.
- (b) Significant deficiencies in internal control were disclosed by the audit of the general purpose financial statements: No. Material weaknesses: No.
- (c) Noncompliance which is material to general purpose financial statements: No.
- (d) Significant deficiencies in internal control over major programs: No. Material weaknesses: No.
- (e) The type of report issued on compliance for major programs: Unqualified opinion.

No material weaknesses or significant deficiencies in internal control over compliance identified.
- (f) Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: No.
- (g) Major program: Investments for Public Works and Economic Development Facilities
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- (i) Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: Yes.

(2) Findings Relating to the Financial Statements Reported in Accordance with *Governmental Auditing Standards*: No findings reported.

(3) Findings and Questioned Costs Relating to Federal Awards: No findings or questioned costs.

CITY OF REEDLEY
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

None



JOHN CHIANG
California State Controller

November 24, 2014

Director of Finance
City of Reedley
845 "G" Street
Reedley, CA 93654

Re: 2012-13 Fiscal Year Single Audit Report Certification and Audit Finding Resolution

We completed a desk review of your single audit report for the year ended June 30, 2013. We determined that the report meets the requirements of the United States Office of Management and Budget (OMB) Circular A-133. OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, prescribes the audit and reporting standards for state and local governments that expend federal awards.

OMB Circular A-133 requires federal and state funding agencies to resolve any audit findings cited in the report that may affect federal award programs. The attachment to this letter identifies those findings that require resolution. The findings are referenced by enclosure and page number.

OMB Circular A-133 also requires pass-through state agencies to follow up on the resolution of findings that affect federal programs administered by these agencies. The state agency referenced in the attachment will be in contact to follow up on the resolution of the applicable findings.

The State Controller's Office is responsible for resolving most cross-cutting findings or audit leads. A cross-cutting finding is one that affects the programs of more than one agency. If cross-cutting findings are identified in your report, our office will contact you. An audit lead is a specific issue identified in your report that may require additional investigation by federal or state agencies. Federal or state agencies may ask you to provide additional information related to the audit lead.

Your audit report may also contain general internal control findings not referenced in the attachment to this letter. These findings do not appear to affect the federal award programs. Therefore, we have not identified them for resolution action; however, you should ensure that your audit report for the 2013-14 fiscal year addresses the resolution of these findings.

MAILING ADDRESS P.O. Box 942850, Sacramento, CA 94250-5874
SACRAMENTO 3301 C Street, Suite 700, Sacramento, CA 95816 (916) 324-8907
LOS ANGELES 901 Corporate Center Drive, Suite 200, Monterey Park, CA 91754 (323) 981-6802

Director of Finance
November 24, 2014
Page 2

Your audit satisfies all financial and compliance audit requirements under individual federal award programs. This does not preclude state and federal agencies from making any additional audits that are necessary to carry out their responsibilities under federal laws and regulations. State and federal agencies may contact you to arrange for additional audits.

If you have any questions regarding this letter or any other single audit issue, please contact a member of my Single Audits staff by telephone at (916) 324-6442 or by email at singleaudits@sco.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Carolyn Baez". The signature is fluid and cursive, with a large loop at the end of the last name.

CAROLYN BAEZ, Chief
Financial Audits Bureau
Division of Audits

Attachment

cc: State Funding Agencies
Sanborn & Sanborn Accountancy Corp.

ATTACHMENT
AUDIT REPORT FINDING(S)--STATE AGENCIES

City of Reedley
2012-13 Fiscal Year

<i>Program Name</i>	<i>CFDA #</i>	<i>Finding #</i>	<i>Page #</i>	<i>Enc. #</i>
No Findings Noted				